GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4554
ANSWERED ON:23.12.2005
PAYMENT OF STAMP DUTY
Yadav Shri Parasnath

Will the Minister of FINANCE be pleased to state:

(a) whether the equity investors outside Maharashtra have to pay stamp duty twice on all stock market transactions;

(b) if so, whether the Government has received any representation from the Association of National Stock Exchange Members of India (ANMI) in this regard;

(c) if so, whether Government of Maharashtra has reviewed its own decision;

(d) if so, the details thereof; and

(e) the steps proposed to be taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) to (e): Under the Constitution of India, Stamp Duties (but not including rates of stamp duty) fall under Entry 44 of the Concurrent List. Thus, both the Centre as well as the States have the powers to legislate. Regarding rates of stamp duty, the Central Government has powers to fix the rates in respect of 10 instruments listed in Entry 91 of the Union List, whereas States have the powers in respect of the remaining instruments by virtue of Entry 63 of the State List. The revenue from stamp duty is collected and appropriated by the State concerned. Generally, the stamp duty was being levied by various States on the contract notes, in respect of security transactions, sent by the broker to the principal (investor) in the respective States. The Government of Maharashtra has amended the Bombay Stamp Act, 1958, as a result of which, record of transactions effected by a trading member through a stock exchange has been subjected to stamp duty, which would also cover transactions taking place through stock exchanges in Maharashtra but for which the brokers or investors are located outside Maharashtra, thereby resulting in such brokers/ investors being subjected to stamp duty by two States, in some cases. The Government has received a representation from the Association of National Stock Exchange Members of India (ANMI) in this regard.

The Government of India, Ministry of Finance, had taken up the matter with the Government of Maharashtra, requesting them to reconsider their decision. The Government of Maharashtra has informed that the matter is under their consideration and that the final decision is not yet taken. Further, it is also added here that a writ petition has been filed before the Hon'ble Delhi High Court challenging the validity of the amendment made by the Government of Maharashtra.